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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

November 1, 1977

MEETING WITH DOUG FRASER

Tuesday, November 1, 1977
2:30 p.m. (20 minutes)
The Oval Office

From: Stu Eizenstat
Kitty Schirmer

Stu

I. PURPOSE

To discuss energy legislation with Mr. Fraser.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: The United Auto Workers Union has been more supportive of the National Energy Plan than any other single group, union or otherwise. With the exception of the gas guzzler tax which it opposed, the UAW has consistently supported all of the elements of your Plan. (During Senate consideration of the tax portion of the plan, however, the UAW withdrew support from the crude oil equalization tax, fearing that the revenues would be used for energy development rather than rebates. The UAW will support COET with full rebates in conference.)

We understand that Fraser is considering sending a letter to all conferees supporting the House version of the bill. Such a letter would be most helpful if focussed on: COET, utility rate reform, natural gas, and the oil and gas user tax.

- B. Participants: Doug Fraser, President of the UAW, Landon Butler, Frank Moore
- C. Press Plan: To be coordinated with the Press Office

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III. TALKING POINTS

- Appreciate the consistent support which the UAW has given National Energy Legislation, and look forward to continuing to work with them during the Conference.
- You intend to hold firm in Conference in support of the provisions of the National Energy Plan. While you recognize that some accomodation is inevitable, you will look to the House conferees to suggest these avenues. Before making any final decisions or recommendations on these proposals you will consult with the UAW.
- In evaluating the final bill you will be looking for measures which protect consumers and prevent windfall profits to the energy companies. These must be fiscally responsible since energy legislation need not bust the federal budget and consume resources needed for other national priorities. Finally, the legislation must meet, at a minimum, the conservation and conversion savings which would be accomplished by the House bill. 0

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THE WHITE HOUSE

WASHINGTON

November 1, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*
FRANK RAINES

SUBJECT: Briefing Memo on Social Security for
Meeting with Congressional Leadership

The following decisions were made as a result of the discussions held after you left the meeting today with Secretary Califano:

- Secretary Califano will talk to Senators Long and Moynihan about the immediate fiscal relief issue. He will try to reduce the amount for FY 1978. He will also seek to obtain their agreement to oppose any effort to renew fiscal relief without the passage of a comprehensive welfare reform bill. He has gotten a definite commitment to the effect from Moynihan. Long has indicated he will not push fiscal relief independently but has not promised, of course, to support our welfare reform proposal.
- Secretary Califano will write a letter to the members of the Senate expressing our strong disapproval of removing the earnings limitation for social security recipients. He will cite the inequities of the proposal but will not, at this time, directly threaten a veto of the bill by you.
- Secretary Califano and Larry Woodworth will collaborate on a letter to Senator Long opposing the tuition tax credit proposal we expect to be offered as an amendment to the social security bill.

We think it would be appropriate for you to state your opposition to removal of the earnings test in your meeting with the congressional leadership tonight. We would suggest you make the following points:

- It is important to restore the financial integrity of the social security system as soon as possible. Elimination of the earnings test jeopardizes the chance to achieve that this year. The Congress has acted responsibly on this issue thus far this year and it should not be detracted by this politically popular but extremely costly and inequitable proposal.
- You have consistently taken the position that removing the earnings limitation is too costly. Our proposal contained no benefit increases. We can accept the \$6000 limit now in the Finance Committee bill but not the complete elimination in the House-passed version.
- The social security system is a retirement program. It is meant to replace earnings lost as a result of retirement. Removing the earnings limitation turns it into an old age annuity benefitting even millionaires.
- The original Social Security Act permitted no earnings. Since the test was enacted in 1939 it has been increased twelve times from \$180 per year to the current \$3,240 but it has never been removed.
- Of the nearly 22 million Americans over 65 only 1.5 million are affected by the retirement test. Eight million had no earnings, 2 million earned less than the limit and 10 million are over 72 and unaffected by the test. Of those earning more than \$6000 per year (the Senate bill figure) the average income was \$17,000 indicating they were very well off. Well over half earned more than \$10,000.
- Many people confuse the earnings limit with the total amount of money that retirees must live on. Even after the limit is hit \$1 of every \$2 is ignored in calculating the benefit. With a limit of \$3,240 a couple can earn \$19,800 and still be eligible for some benefits if they have the maximum benefit or \$13,000 if they have the average benefit. A retired couple earning \$6000 would have a total income, including social security, nearly equal to the total wages earned by average working people not retired.

- The House bill, as passed, will raise the retirement test to \$5,000 in 1980, to \$5,500 in 1981, and eliminate the ceiling entirely by 1982. The net cost as compared to current law will be as follows:

1978	\$ 54 million
1979	266
1980	359
1981	404
1982	3299
1983	3657

The Senate Finance Committee bill raises the amount to \$4,500 in 1978 and \$6,000 in 1979. We don't have any specific figures on this but the cost in 1983 would be in the area of \$500 million.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

November 1, 1977

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MEMORANDUM FOR FILES

FROM: FRANK MOORE

SUBJECT: Senator Cranston's Meeting with the President
Tuesday, November 1, 1977 - 9:00 a.m.

Senator Cranston said we have had problems with SALT if Senator Jackson does not come along. The President needs to talk with Nunn, Stennis and Byrd if we are to have any chance.

Senator Cranston sees the possibility of a compromise with Jackson and believes the President should talk with him. As an alternative to cutting a deal with Jackson, we face rejection. Cranston believes that everyone except Jackson is convinced that the Jackson amendment is not working.

If immigration continues to go up, we could supersede the Jackson amendment with authority to grant most-favored-nations status to the Soviets.

Senator Cranston agreed that the President could talk to Senator Nunn prior to talking to Jackson.

Senator Cranston also endorsed Ray Lapin as Chairman of the Board of FNMA. Suggested that we buy Oakley Hunter's contract to get him out. Said the Speaker is not really serious about Barriere. The President said he would talk to Pat Harris about this matter.

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BIOGRAPHY

of

RAY LAPIN

1. Founder and owner of mortgage banking companies, based in San Francisco since 1954. Imported to California over \$1 billion of FHA/VA single and multi-family mortgage loans. Financially successful.

2. President and Chairman, FNMA - appointed by President Johnson, 1967-69. In 2½ years directed implementation or initiation of a number of successful entities and programs, including the off-budget FNMA, the auction forward commitment system, the GNMA securities, the original tandem plan, the uniform secondary market conventional loan. Reduced FNMA staff in one year by over 30 percent despite over 5 time increase in work load.

3. Administrative head, Asst. Mgr., Research Dept., Federal Reserve Bank of Chicago, 1950-54.

4. Enlisted man and officer, U.S. Army, World War II, 1942-46. Pacific Theatre.

5. B.S. Business Administration - University of California, Berkeley. MBA - Finance, University of Chicago, 1954. Investments course - Graduate School of Banking, Rutgers University, 1954.

6. Active since early post-war years in Democratic political affairs, civic affairs, public and low-moderate income housing. Member of numerous boards of city, state and national level commissions and organizations relating to above.

7. Active in Carter campaign since early April 1976. Co-Chairman of major fund raising events in San Francisco before and after (DNC) convention raising over \$200,000. Co-Chairperson of October 22, 1977 Carter Dinner in Los Angeles. Member, Carter Housing Task Force, Carter transition team in Atlanta, Carter representative, Credentials Committee, National Convention.

FNMA'S RECORD WHILE RAY LAPIN WAS PRESIDENT/CHAIRMAN

1. Developed and carried through the Congress and the Administration plan to remove FNMA from budgetary constraints, in order to make it a consistently effective force for the housing and mortgage markets.
2. Initiated the mortgage commitment auction system which to this day is the barometer of the mortgage market, and which provides needed coverage for homebuilders and lenders so that funds flow smoothly into housing markets across the country.
3. Developed programs, and secured necessary Congressional approval, for mortgage-backed securities, which today is a major element of Administration policy to bring funds into housing from non-traditional investors. Well over \$40 billion of such securities have been issued.
4. Developed and initiated the original tandem plan relating to special assistance funds only, getting 25 times or more the volume of housing from these Treasury funds. The Cranston-Brooke tandem program evolved from the original plan.
5. Developed a program for participations in construction lending on multifamily housing -- the first such nationwide program of its kind.
6. Initiated the uniform secondary market conventional loan to enable FHA and FNMA to focus on inner city housing financing.
7. Cut FNMA staff by one-third while at least quadrupling production.

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THE WHITE HOUSE
WASHINGTON

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November 1, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Bob Lipshutz

BL

SUBJECT: Pending Appointment to Court of Claims

At your dinner this evening, Senator Byrd may bring up his intense interest in the possible appointment of Lewis Spector to this position.

I recommend that you acknowledge his interest but withhold any type of commitment until you have had an opportunity to review the situation with both the Attorney General, Frank Moore, and myself.

At the present time we have a recommendation of four other persons from the nominating committee which you set up, despite the fact that not only Senator Byrd, but a large number of others (including the American Bar Association, Federal Bar Association and the District of Columbia Bar Association) recommended Lewis Spector as the person best qualified for this job.

As a matter of information, there actually are two openings on this court, but no committee action has been taken to date relative to the second one.

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THE WHITE HOUSE

WASHINGTON

November 1, 1977

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MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT

SE

SUBJECT: Meeting With Secretary Califano On
H.R. 7200 (Fiscal Relief and "Welfare Reform")

I checked with my staff to find out the situation on the receipt of the Califano memo on welfare reform. I am told that a courtesy copy was delivered late Friday night from HEW with no indication that it was a document that needed a decision at any particular time.

Monday morning we received a formal copy of this memorandum from Rick Hutcheson for staffing at which time it was indicated "immediate turnaround." As soon as we received it from Rick, we checked with HEW and it was only at that point that we learned a decision was needed immediately.

OMB first saw the memorandum when it was delivered by Rick Hutcheson's office Monday morning. Thus, they were unable to even prepare a memorandum for your review.

Major decisions should be made with longer lead times whenever possible.

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

November 1, 1977

MR. PRESIDENT

AT STU'S REQUEST, WE ARE ADDING

A 3:30 P.M. 20-MINUTE MEETING

IN THE CABINET ROOM ON FISCAL RELIEF

WITH THE FOLLOWING PARTICIPANTS:

STU EIZENSTAT
JIM MCINTYRE
JOE CALIFANO
LARRY WOODWORTH
CHARLES SCHULTZE
FRANK MOORE
BERT CARP
FRANK RAINES

FR

T.K.

*This fouls
up my
afternoon -
I need to help
write two
speeches
Move it to
3 so I
can leave
J*



Department of Energy
Washington, D.C. 20585

PNE
TV Talk
Mide

Al Can
Non Relief

Soc Sec #3-4 B
Ceb visit
Lab/Hew approp

November 1, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER
STU EIZENSTAT
JIM MCINTYRE

SUBJECT:

Overview of Congressional Action on the
National Energy Plan to date

For purposes of the Conference, The National Energy Act
has been divided into the following five parts:

1. Conservation
2. Coal Conversion
3. Utility Rate Reform
4. Natural Gas
5. Taxes

Attachment A summarizes the overall budget impacts and energy savings of our original proposal, the House passed bill and preliminary estimates of the Senate passed bill. You should note that the Senate bill would result in a FY 78-85 budget deficit impact of \$63 billion, while the NEP shows a moderate surplus and the House bill shows a similar surplus if the crude oil tax receipts are not rebated. Attachment B includes a detailed side-by-side analysis of the Administration's original proposals, House action, Senate action, Conference action (if already taken), and the Administration's position where one has been established. Since the Senate completed action only yesterday evening, savings and revenue estimates of the Senate provisions are still preliminary.

The balance of this memorandum contains a summary overview of the major Congressional Actions to date on each of the five parts.

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I. Conservation.

The Conference has completed its work on the conservation bill with the exception of one issue -- whether increased automobile fuel economy will be achieved by the Senate passed prohibition on the construction of gas guzzlers (Senator Metzenbaum's amendment) or by the house passed Gas Guzzler Tax. Yesterday the Conferees were deadlocked on this issue, with the House insisting upon the Gas Guzzler Tax and the Senate insisting upon minimum standards. The Conferees recessed at noon to try and work out a compromise and will be meeting on this matter again today. We would not object to a combination of the two approaches, but have remained neutral due to Congressman Ashley's vehement opposition to the minimum standards because of his concern that American Motors cannot meet them.

The rest of the Conservation Bill has been agreed to without any major controversy. A watered-down version of the utility insulation program has been adopted, as well as a weatherization program for homes, Federal Buildings, and schools and hospitals.

II. Coal Conversion.

Both the House and the Senate bills provided for the blanket prohibition of any new major industrial boilers that burn oil or gas. They also provide a case by case authority to order existing facilities to convert to alternate fuels. Exemptions are allowed if coal cannot be used for either environmental or economic reasons. Utilities are required to be off gas for base load purposes by 1990.

The major differences between the Administration, House and Senate bills are (1) the size of the facilities to which prohibitions on new oil use apply, and (2) the provisions in the Senate bill which would establish a \$13 billion energy impact assistance program of loans and grants to states and municipalities. The National Energy Act and the House Bill cover new units of 10 megawatts or greater. The Senate bill prohibits use in units larger than 30 megawatts. We clearly prefer the House bill because of the greater coverage, greater savings, and lower cost. Our recommended position is to support the House Bill on all major points.

The Conference should be getting to coal conversion within the next several days as the Gas Guzzler Tax issue is either resolved or passed over.

III. Utility Rate Reform.

The House Bill establishes new minimum ratemaking standards for the nation's utilities and goes beyond the Administration's original proposals in several respects. The NEP proposed that rates be based on actual costs, and that declining block rates be phased out unless they are cost-justified. The bill also required utilities to provide time of day pricing and to undertake various load management initiatives. The Federal Energy Regulatory Commission of the Department of Energy would be given the authority to order interconnections to take advantage of regional efficiencies. The bill prohibited master metering in new apartments, and rate discrimination against those who produce electricity by solar or wind power or by cogeneration.

Additions to the House Bill include funding of intervenors before State Utility Commissions, creation of a public council's office in DOE, a tightening of the rules governing interlocking directorates and strict limitations on automatic fuel adjustment clauses. Finally, \$300 million is provided for the development of small hydroelectric projects.

The Senate Bill is greatly watered-down and provides only the authority to intervene in State Utility Commission proceedings and minimal new authority for gathering data on utility rate structures throughout the country. The only major initiative in the Senate Bill is a requirement that lifeline rates be established by every State Public Utility Commission.

The recommended position is to support the House Bill in Conference, realizing that a less ambitious version closely resembling our original proposal is the most likely Conference product. The Senate, which tends to be more sensitive to the utilities, will adamantly oppose the House Bill because it pre-empts State authorities in several areas. The House Conferees, on the other hand,

believe that their strong provisions represent one of the few pro-consumer parts of the Bill, and are determined to hold firm. A strong provision here would help hold liberals in line for compromises which may have to be made in other areas by the conferees.

Recent Conference staff meetings with key utility industry representatives on a confidential basis may hold the key to an eventual compromise.

IV. Natural Gas

The House Bill puts interstate and intrastate pricing of natural gas on the same basis. It adopts a new commodity value pricing approach that establishes a price for new natural gas at the Btu equivalent of the average price of all domestic oil -- or approximately \$1.75 per mcf by the beginning of next year. High cost new production is given a special incentive price. An incremental pricing provision passes the cost of higher priced new gas on to the industrial sector first.

There are only two differences of note between the House Bill and the Administration's original proposal. First, under the NEP, expiring intrastate contracts could automatically increase to \$1.75 per mcf. Under the House Bill, upon the expiration of old intra and interstate contracts, the contract price remains the same unless a higher price is needed to maintain production. Second, new gas in the House Bill is defined as gas from any newly discovered reservoir, while the Administration's bill established a 2 1/2 mile, 1,000 foot deep requirement.

The Senate passed Pearson-Bentsen Bill deregulates new onshore gas after a two year very high ceiling price (about \$2.60 in 1977 dollars), and sets up a new regulatory standard based on commodity value pricing for the next five years for new offshore gas. New gas is loosely defined as any gas from a new reservoir or an extension of an existing reservoir.

It is critical that the Administration's position continue strongly in favor of the House-passed bill. An eventual compromise holding to the \$1.75 price with a new reservoir, broader definition of new gas and outright deregulation of special high cost production (geopressurized methane, deep drilling, Devonian Shale) may be possible if our House supporters are the ones that first propose that kind of formula to the Administration. A premature reversal of those roles could prove politically disastrous.

V. Taxes

The critical taxes in this most complicated part of the bill are the:

1. Oil and Gas Users Tax
2. Gas Guzzler Tax
3. Crude Oil Equilization Tax (COET)

With passage of the Metzenbaum oil and gas users tax in the Senate, we are assured of getting some form of this tax out of Conference. Our preference is the House tax, since it covers all old and new industrial and utility facilities (subject to certain environmental and process exemptions) whether or not they are actually capable of burning coal. In addition, the net receipts to the Treasury from the House-passed tax would total \$4.7 billion (FY 78-85) compared to only \$.8 billion in the Senate bill. Metzenbaum's tax applies only to existing coal capable facilities and to new plants, thus building an incentive to run old oil and gas boilers for a longer period to avoid the tax. While the NEP and House-passed version would accelerate replacement of old oil and gas fired units, the Senate's distinction between new and existing units could retard replacement. The Metzenbaum proposal would save approximately 700,000 barrels per day compared to the 1.2 million barrels per day savings of the House-passed bill. The positive significance of the Senate vote in favor of such a tax, however, cannot be overestimated.

As noted earlier, the House Conferees will be very firm on the Gas Guzzler Tax, and it can be expected to survive.

The most critical debate will develop over the COET in the House Bill. Pursuant to provisions in the Senate Bill requiring that COET funds be used for energy saving or producing enterprises, Senator Long will insist that some of the COET revenues be returned to the producers through a variety of schemes. Our recommended position is to favor the House Bill which rebates directly all revenues in the first year and thereafter returns the funds to the Treasury for tax reform or other general purposes.

Long will insist that major portions of the monies be returned to producers, either through an accelerated decline curve for old oil fields (the old oil is released from controls more quickly resulting in more "new", higher priced oil over the life of a field), readjustment of the stripper well definition thereby deregulating additional oil, or an energy trust fund for financing producers.

Long is also interested in a tax credit for curtailed Louisiana gas users equal to the difference between their current contract price and higher priced alternate fuels. This tax credit, plus a more liberal definition of marginal stripper well production may be enough to secure COET without resorting to an accelerated decline curve. Again, however, it is essential that for now we give our full support to the House Bill until the Conferees indicate to us they are ready to compromise.

Variations in other tax provisions establishing residential insulation, solar and wind energy credits should be relatively easy to resolve.

With final Senate floor action reducing the 40 percent investment tax credit for approved energy investments to a 15 percent credit, the percentage amount of the credit should be relatively easily resolved since the Senate provision is only 5 percent more than what we originally proposed and the House accepted.

A series of other production credits such as the \$3.00 per barrel credit for oil shale and the \$.50 per mcf credit for geopressurized methane and other exotic gases, will be used as bargaining chips by Long to increase the COET revenues returned to producers.

The long list of credits added by the Senate would cost the Treasury \$34 billion more than the House bill, without inducing substantial additional fuel savings.

Preliminary Estimates
Oil Import Savings Comparison
of NEP/House/Senate Bills

	NEP	House	Senate ^{1/}
<u>CONSERVATION</u>			
1. Residential Buildings & Appliances (Tax credits & Regulatory Programs)	660	690	710
2. Transportation			
Gas Guzzler/Truck Standards			
Minimum Auto Efficiency Standards	290	280	175
Other	-	-	25
3. Electric Utility Regulatory Policies	70	70	-
Subtotal	<u>1,020</u>	<u>1,040</u>	<u>910</u>
<u>PRICING POLICIES</u>			
4. COET	230	230	
5. Natural Gas Pricing/Deregulation	180	325	695
Subtotal	<u>410</u>	<u>555</u>	<u>695</u>
<u>PRODUCTION AND CONVERSION</u>			
6. Incentives for Alternate Fuels Production	-	-	135
7. Business Energy Tax Credits	200	210	560
8. Oil and Gas User Taxes	2,465	760	445
9. (Coal Conversion Regulatory Program) ^{2/}	(340-400)	(340-400)	(170-220)
Subtotal	<u>2,665</u>	<u>970</u>	<u>1,140</u>
Allocated Oil Savings	4,095	2,565	2,745
Unallocated Oil Savings	<u>445</u>	<u>85</u>	<u>330</u>
Total Oil Savings	4,540	2,650	3,075

^{1/} Estimates are preliminary and subject to change.

^{2/} Included in user tax estimate.

Preliminary Estimates

Comparison of Budget Impacts
of NEP/House/Senate Bills

Cumulative Budget Impacts
1978-1985 Millions of Current \$

	NEP	House	Senate
A. <u>Revenue Impacts</u>			
1. Residential Tax Credits	-4,484	-4,827	-7,099
2. \$75 Tax Credit for Elderly	-	-	-10,051
3. \$150 Credit for Home Heating Oil	-	-	-7,500
4. Gas Guzzler	0 ^{1/} ₂	+915	-
5. Crude Oil Equalization Tax	0 ^{2/} ₀	+27,452	-
6. Incentives for Alternative Fuels Production	-552	-546	-2,107
7. Business Energy Tax Credit	-3,064	-2,471	-15,060
8. Oil and Gas Users Tax	+34,400	+4,698	+774
9. Extension of 4 cents Gas Tax to 1985	- ^{3/} ₃	--	--
10. Other	+423	+7,348	-522
Subtotal	+26,723	+32,569	-41,565
B. <u>Outlays</u>			
1. Conservation	-5,850	-9,779	-9,250
2. Oil and Gas Pricing	-3,270	-3,270	-1,713
3. Energy R&D	+2,130	+2,130	+2,130
4. Coal Conversion	-	-	-2,914
5. Strategic Petroleum Reserve	-12,429	-12,429	-10,868
6. Other	-	-	-
Subtotal	-19,919	-23,348	-22,615
C. <u>Net Budget Effects</u>			
TOTAL REVENUE	+26,723	32,569	-41,565
TOTAL OUTLAYS	-19,419	23,348	-22,615
NET BUDGET EFFECTS	+7,304	+9,221 ^{4/}	-64,180

1/ \$7,700 would be collected and fully rebated.

2/ \$13,500 would be collected and fully rebated.

3/ The 4 cent gas tax would be extended by both the Senate and House bills. However, its impact has been included in the base budget estimates.

4/ If COET were fully rebated, as is proposed, the net budget effect would become - \$18,231.

Administration Proposal	House Action	Senate Action	Proposed Administration Position or Conference Action
CONSERVATION			
<u>Buildings</u>			
1. Residential Conservation Tax Credit			
<ul style="list-style-type: none"> - 25% of the first \$800 for specified energy conservation measures. - 15% of the next \$1,400. - The maximum credit is \$410. 	<ul style="list-style-type: none"> - A 20% credit for the first \$2,000, for a maximum credit of \$400. 	<ul style="list-style-type: none"> - adopted the House bill with an expanded list of eligible conservation investments. - made credit refundable - extends time for claiming credit 	Support the House position.
Oil Savings 285 Revenue Impact -\$3936 Outlays —	Oil Savings 275 Revenue Impact -\$4107 Outlays —	Oil Savings 275 Revenue Impact -\$6315 Outlays —	
2. Solar Tax Credit			
<ul style="list-style-type: none"> - 40% of the first \$1,000 and 25% of the next \$6,400 for qualifying solar equipment for the first several years, - declining by 1982 to 25% of the first \$1,000; and 15% of the next \$6,400. - The maximum credit begins at \$2,000 and declines to \$1210 in 1982 	<ul style="list-style-type: none"> - 30% of the first \$1,500 - 20% of the next \$8,500 - The maximum credit is \$2,150. - Includes wind equipment 	<ul style="list-style-type: none"> - 30% of first \$2,000 - 20% of next \$8,000 - The maximum credit is \$2,200. - Includes leased equipment 	Support the House position.
Oil Savings 25 Revenue Impact -\$ 550 Outlays —	Oil Savings 25 Revenue Impact -\$ 720 Outlays —	Oil Savings 25 Revenue Impact -\$ 785 Outlays —	

Notes:

1. Oil Savings are expressed in thousands of barrels per day in 1985.
2. Revenue Impact is the cumulative net change in tax revenues from 1978 to 1985.
3. Outlays are cumulative expenditures authorized through 1985.

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

Administration Proposal	House Action	Senate Action	Proposed Administration Position or Conference Action
CONSERVATION			
<u>Buildings (cont.)</u>			
3. Weatherization			
An additional \$385 million direct grant program for low-income persons.	Similar to Administration, but raised the grant program cut-off to families with incomes at 125% of the poverty level; added rural areas; increased amount per unit from \$400 to \$800.	Similar to House.	Conference has adopted the House position.
Oil Savings 25 Revenue Impact — Outlays \$1350	Oil Savings 25 Revenue Impact — Outlays \$3750		
4. Financing			
Creation of a secondary mortgage market for residential conservation loans.	Passed the Administration's program and added a GNMA subsidized interest rate loan program for residences owned by individuals who earn up to 90% of the median income.	Similar to House but no income limits and larger budget authorizations	Conference has adopted the House position.
Oil Savings Included in #1 Revenue Impact — Outlays Included in #3	Oil Savings Included in #1 Revenue Impact — Outlays	Oil Savings Included in #1 Revenue Impact — Outlays \$598	
5. Solar Loans			
No provision	Secondary market for solar loans.	Subsidized loans for active and passive solar measures in homes.	Conference has adopted the Senate position.
	Oil Savings NA Revenue Impact — Outlays —	Oil Savings NA Revenue Impact — Outlays \$169	

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Buildings</u> (cont.)			
6. Utility Energy Conservation			
Utilities would be required to offer insulation information, offer loans repayable through utility bills and offer to arrange for installation.	Placed greater reliance on States. Essentially precluded utilities from installing conservation measures.	Essentially barred utilities from either installation or financing. Required utilities to serve as program managers to arrange for installation and financing.	Conference has adopted the Senate position plus allowing small loans by utilities for furnace related work.
Oil Savings Included in #1 Revenue Impact — Outlays —	Oil Savings Included in #1 Revenue Impact — Outlays —	Oil Savings Included in #1 Revenue Impact — Outlays —	
7. Schools and Hospitals Conservation Program			
Provides \$900 million over 3 years for up to 40% grants to States for the installation and design of conservation initiatives in schools and hospitals.	Increased grants to 50% (90% in certain hardship cases); also expanded coverage to nursing homes, day care centers and other other facilities.	Similar to Administration, except grants are increased to 50% and made directly to school districts. <u>Finance Committee</u> - adopted refundable tax credit for conservation measures.	Conference has adopted the House position but limited grants to schools and hospitals. No action on tax measures.
Oil Savings 40 Revenue Impact — Outlays \$900	Oil Savings 50 Revenue Impact — Outlays \$900	Oil Savings 50 Revenue Impact —* Outlays \$1125	
* Included in Business Energy Tax Credit, p. 17.			

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Buildings (cont.)</u>			
8. Municipal Buildings Conservation Program	State grant program provides \$65 million over 2 years for energy audit and technical assistance grants for energy conserving initiatives in buildings owned by units of local government.	Grant program similar to House, but grants would be made directly to local governments. <u>Finance Committee</u> - Adopted refundable tax credit for conservation measures.	Conference has adopted the House position. No action on the tax measure.
No program	Oil Savings 10 Revenue Impact — Outlays \$ 65	Oil Savings 10 Revenue Impact * Outlays \$ 65	
9. Federal Buildings			
- Energy Efficiency Program			
Retrofit program to reduce energy conservation 20% in all existing Federal buildings, and 45% in all new Federal buildings. (Administrative)	Accepted Administration goals and required a schedule to retrofit all buildings by 1990. (legislative)	Accepted Administration goals and called for a study on the feasibility of retrofit by 1990. (legislative)	Conference has adopted a modified version of the House position.
Oil Savings 35 Revenue Impact — Outlays \$2700	Oil Savings 35 Revenue Impact — Outlays \$2700	Oil Savings 35 Revenue Impact — Outlays \$2700	
- Solar Program			
o \$100 million Federal building solar demonstration program.	Same as Administration	Same as Administration	Conference has adopted the Senate position.
o Photovoltaics	Added a \$39 million program for mandatory	Similar to House, but expanded to \$98 million.	

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Buildings (cont.)</u>			
10. Mandatory Standards For New Buildings			
Advanced the effective date of previously existing standards from 1981 to 1980. (Administrative)	Authorized \$20 million for state aid to meet the Administration's objective.	Essentially same as the House	Conference adopted House position
Oil Savings 35 - Res. 145 - Comm.	Oil Savings 35 - Res. 145 - Comm.	Oil Savings 40 - Res. 150 - Comm.	
Revenue Impact —	Revenue Impact —	Revenue Impact —	
Outlays \$20	Outlays \$20	Outlays \$20	
11. State Energy Conservation Programs			
No extension of EPCA program; await revised program combining many existing programs.	Accepted Administration proposal.	Extended EPCA authorization through FY 80.	Conference adopted Senate position but extended EPCA for FY 79 only.
		Oil Savings NA Revenue Impact — Outlays \$200	
12. Tax Credit for Elderly			
No proposal except for COET rebates	No action	\$75 refundable tax credit for elderly to defer increased energy costs.	Under review.
		Oil Savings NA Revenue Impact -\$10,051 Outlays —	

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Buildings</u> (cont.)			
13. \$150 Credit for Home Heating Oil			
No proposal except for COET rebate.	No action	\$150 credit for home heating oil through 1982.	Under review.
		Oil Savings NA	
		Revenue Impact -\$7500	
		Outlays --	
14. Suspension of Insulation Import Duty			
No proposal	No action	Suspension of import duty on insulation for 18 months.	Under review.
		Oil Savings NA	
		Revenue Impact -\$ 2	
		Outlays --	

Administration Proposal	House Action	Senate Action	Proposed Administration Position or Conference Action
CONSERVATION			
<u>Transportation</u>			
1. Gas Guzzler Tax/Truck Standards			
Graduated excise tax on cars and light trucks which fail to meet EPCA standards. Graduated rebates for vehicles with fuel economy above the standard. Taxes begin in 1978. The tax in 1985 would range from a low of \$67 per car to a high of \$2,488. Also implemented existing discretionary authority to set truck standards.	Excise tax if fuel economy falls more than 3 to 5.5 mpg below EPCA standards. No rebates. Taxes in 1985 would range from a low of \$397 to \$3,856 per car in 1985. Eliminates applicability to trucks.	The gas guzzler tax was rejected. Instead, the Senate passed an amendment to EPCA which simply prohibits the construction of low mileage automobiles (16 mpg in 1981 rising to 21 mpg in 1985), and doubles the civil penalties assessed against the companies for not meeting the EPCA average fleet standards.	Conference is deadlocked on minimum standards.
Oil Savings 295 Revenue Impact (Rebated) Outlays —	Oil Savings 280 Revenue Impact +\$915 Outlays —	Oil Savings 175 Revenue Impact — Outlays —	
2. Gasoline Taxes			
Standby tax - five cents per gallon tax in 1979, increasing 5 cents every year in which consumption exceeds certain predetermined target levels. Taxes would be rebated on a per capita basis through the tax system.	Rejected standby tax. Extended existing 4 cent excise tax to 1985.	Same as House	
Oil Savings NA Revenue Impact (Rebated) Outlays —	Oil Savings 25 ^{1/} ₀ Revenue Impact — Outlays —		

1/ The impact of the \$21,200 million extension has been accounted for in the base budget estimates.

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Transportation</u> (cont.)			
3. Blended Motor Fuels			
No program	No program	Exempted motor fuels using a blend of alcohol from the gasoline excise tax, if alcohol is from farm or forest products.	Under review.
		Oil Savings NA Revenue Impact -\$ 35 Outlays —	
4. Deduction for State and Local Gasoline Taxes			
Not in NEP but included in Tax Reform package.	Repeals Federal tax deduction for State and local taxes on gasoline.	Rejected repeal of reduction.	Support the House position.
	Oil Savings NA Revenue Impact +\$7520 Outlays —		
5. Excise tax on inter-city buses.			
Repeal the 10% excise tax.	Similar to Administration but expanded to cover excise tax on bus parts and accessories, and on certain related equipment.	Similar to House.	Under review.
Oil Savings — Revenue Impact -\$76 Outlays —	Oil Savings — Revenue Impact -\$ 204 Outlays —	Oil Savings — Revenue Impact -\$204 Outlays —	

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Transportation (cont.)</u>			
6. Electric Automobiles			
Eligible for maximum gas guzzler rebate.	Provided for a \$300 tax credit for any electric automobile. through 1982.	<u>Finance Committee</u> - same as House, but through 1985.	Support the House position.
Oil Savings --	Oil Savings --	Oil Savings --	
Revenue Impact (Rebated)	Revenue Impact -\$ 8	Revenue Impact -\$25	
Outlays --	Outlays --	Outlays --	
7. Aviation and Marine Fuel			
Current 2 cent tax rebate on marine fuel would be elimin- ated. Excise tax on fuel used for noncommercial aviation would be increased from 7 cents to 11 cents.	Adopted proposal on marine fuel. Aviation fuel pro- posal not adopted.	Same as House	Support the House position.
Oil Savings NA	Oil Savings NA		
Revenue Impact +\$499	Revenue Impact +\$29		
Outlays --	Outlays --		
8. Van Pooling Programs			
Purchase 6,000 Federal vans for demonstration pooling program. Full cost recovered by fees charged.	Deleted program	Passed Administration's program. <u>Finance Committee</u> - added a 20% investment tax credit for vans used by a taxpayer to transport employees to and from work.	Conference adopted the House position. No action on the tax measure.
Oil Savings --		Oil Savings --	
Revenue Impact --		Revenue Impact -\$ 5	
Outlays (Recovered)		Outlays (Recovered)	

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Transportation</u> (cont.)			
9. Other Programs			
--	--	<u>Finance Committee</u> - provided for a 10% investment tax credit for transportation energy saving devices.	Under review.
		Oil Savings -- Revenue Impact -- Outlays --	

Administration Proposal	House Action	Senate Action	Proposed Administration Position or Conference Action
CONSERVATION			
<u>Electric Utility Regulatory Policies</u>			
<ul style="list-style-type: none"> - rates must be cost justified - eliminate declining block rates - offer time of day pricing - master metering prohibited - FERC authorized to require pooling and wheeling to take advantage of regional efficiencies 	Administration proposal plus: <ul style="list-style-type: none"> - funding of intervenors - creation of FERC Public Counsel's office - tightening of rules on interlocking directorates - \$300 million program for small hydroelectric facilities - prohibition against automatic rate adjustment clauses except under restrictive conditions - promotional advertising not allowed in rates - Federal termination of service standards 	Very limited bill that provides for only: <ul style="list-style-type: none"> - authority to intervene in State hearings - information gathering on rates throughout the Nation - mandatory nationwide lifeline rates 	Generally support the House position except: <ul style="list-style-type: none"> - no FERC Public Counsel - no Federal funding for small hydro projects other than for feasibility studies - review of automatic rate adjustment clauses under less restrictive conditions - leave to States standards for termination of service.
Oil Savings 70 Revenue Impact -- Outlays --	Oil Savings 70 Revenue Impact -- Outlays \$300	Oil Savings -- Revenue Impact -- Outlays --	
<u>Crude Oil Equalization Tax (COET)</u>			
<ul style="list-style-type: none"> - tax the difference between controlled oil price levels and the world price, imposing the full tax over a three year period with three equal increments of tax - rebate the proceeds of the tax to every American on a per capita basis through a reduction in withholding for taxpayers or through appropriate state agencies for non-taxpayers - dollar for dollar rebate for home heating oil 	Adopted the Administration's proposal but extended tax only to 1981 and provided for rebates of 1978 tax only in 1979, and on a taxpayer, rather than per capita, basis. Rebates in subsequent years to be determined later.	Adopted resolution that if COET were adopted in conference, a portion of the funds should be channeled into energy development and energy efficient transportation systems through an Energy Trust Fund	Support the House position.
Oil Savings 230 Revenue Impact (Rebated) Outlays \$2895*	Oil Savings 230** Revenue Impact +\$27,452*** Outlays \$12,895*		
	* Due to increased Federal fuel costs. ** 1985 savings assume tax extended to 1985. *** Revenues through 1982.		

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
CONSERVATION			
<u>Industrial Cogeneration*</u>			
- provides for an exemption from PUC regulation of industrial cogenerators	- provided for rulemaking for mandatory purchase of cogeneration	Same as House except no specific cogeneration exemption from user tax	Support the Senate position.
- exemption from oil and gas conversion requirements if necessary to get cogeneration benefits	- provided discretionary exemption from PUC regulation		
- prohibits discrimination by PUC or utilities against industrial cogenerators	- qualified cogenerators receive preferred utility user tax treatment under the oil and gas users tax		
Oil Savings --	Oil Savings --	Oil Savings --	
Revenue Impact --	Revenue Impact --	Revenue Impact --	
Outlays --	Outlays --	Outlays --	
<u>Mandatory Appliance Standards</u>			
- requires establishment of mandatory efficiency standards for seven categories of appliances. The Administrator is given discretionary authority to set standards for six other categories	- requires industry standards for all 13 categories	- requires industry standards for nine categories	Conference has adopted the House position with 2 1/2 year deadline for standards for first nine categories.
- no deadline is established for standard setting	- establishes a two-year deadline for the first seven categories, three years for the last six	- establishes a 1980 deadline	
Oil Savings 70	Oil Savings 95	Oil Savings 95	
Revenue Impact --	Revenue Impact --	Revenue Impact --	
Outlays \$7	Outlays \$10	Outlays \$10	

* Does not include effects of tax measures, which are included in Business Energy Tax Credit description below.

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
PRODUCTION AND CONVERSION			
1. Natural Gas Pricing Policy			
<ul style="list-style-type: none"> - Establishes a Btu-related new gas price equal to the average price of all domestic oil, or approximately \$1.75 per mcf by early next year, which increases to over \$3.00 per mcf by 1985. - New gas is defined as that from wells beyond 2 1/2 miles from an existing well or 1,000 feet deeper than any well within the 2 1/2 miles radius. - Old interstate contracts stay at the current price; at contract termination FERC authorized to increase to \$1.45 plus inflation adjustment. - Old intrastate contracts and old uncommitted gas from old wells or old leases eligible for new gas price. - High cost new production is eligible for a special incentive price (deep drilling, tight formations, geopressurized methane, Devonian shale, etc.). - Incremental pricing passes the higher costs of new gas first to the industrial sector until cap of alternate fuel price is reached. Excess above cap price then distributed to residential and commercial sectors. 	<p>Same as Administration proposal except that:</p> <ul style="list-style-type: none"> - New gas is defined to include gas from any newly discovered reservoir. - Old interstate contracts remain at current prices; at contract termination, FERC authorized to increase price to \$1.45 plus inflation adjustment if necessary to maintain production. - Old uncommitted gas from old wells or leases may increase only to \$1.45 plus inflation. - When industrial price reaches cap under incremental pricing, excess costs would be distributed to all customers. 	<ul style="list-style-type: none"> - Deregulates new onshore production after a two year ceiling price at No. 2 fuel oil equivalent (about \$2.60, 1977 \$). - Provides for 5 more years of offshore regulation based on a new commodity value formula. - New gas is more loosely defined, including gas from new reservoirs and extensions of existing reservoirs. - Old intrastate contracts eligible for deregulated prices. - Incremental pricing same as House bill. 	Support the House position.
Cost to Consumer-\$15 billion over current approach from '78 to '85.	Cost to Consumer-\$1 billion over Administration proposal.	Cost to Consumer-\$ 70 billion over House Bill from '78 to '85.	
Gas Production Increase-1.1 additional trillion cubic feet in '85.	Gas Production Increase-same as Administration proposal.	Gas Production Increase-.4 trillion cubic feet over House Bill in '85.	
Oil Savings 180	Oil Savings 325	Oil Savings 695*	
* Includes <u>both</u> price and production effect.			

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
PRODUCTION AND CONVERSION			
2. Oil Pricing Policy (Administrative)			
o Current upper and lower tiers are granted increases with inflation.	No action required	No action required	
o New oil is allowed to rise over three years to today's world price, plus inflation.			
o Tertiary recovery is allowed today's world price immediately.			
Savings to Consumers-\$10 billion from '78 to '85.			
Oil production increase-100,000 barrels per day by 1985.			
Outlays \$375			
3. Oil and Gas Minimum Tax Treatment on Intangible Drilling Costs (IDC)			
Oil and gas producers pay a minimum tax only on the portion of IDC deductions that exceeds the net income from oil and gas properties. This gives all independent producers the same treatment previously available primarily to majors.	Adopted Administration position	Adopted Administration position	
Oil Savings Included in #1			
Revenue Impact -\$354			
Outlays —			

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
PRODUCTION AND CONVERSION			
4. Geothermal Production			
Grants the same intangible drilling cost deduction that is available to oil and gas producers.	Accepted the Administration's proposal and also granted a 10% depletion allowance.	<u>Finance Committee-</u> - accepts House action on intangible drilling costs. - grants a 22% depletion allowance.	Under review.
Oil Savings 30 Revenue Impact -\$179 Outlays —	Oil Savings 35 Revenue Impact -\$192 Outlays —	Oil Savings 50 Revenue Impact -\$198 Outlays —	
5. Geopressurized Methane			
Provided the special high cost pricing provision discussed above in the natural gas bill.	Same as Administration	<u>Finance Committee-</u> In addition to the deregulation provided for in the gas pricing bill which passed the Senate, the Committee also provided for a -\$.50 per mcf tax credit -20% investment tax credit -10% depletion allowance -Intangible drilling cost deduction.	Under review.
Oil Savings Included in #1 Revenue Impact Included in #1 Outlays —		Oil Savings 10 Revenue Impact -\$426 Outlays —	

ACTIONS TAKEN ON THE NATIONAL ENERGY PLAN

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
PRODUCTION AND CONVERSION			
6. Shale Oil			
Allowed the world oil price (Administrative)	No action	<u>Finance Committee</u> - provided an additional \$3 per barrel tax credit.	Oppose the Senate position.
Oil Savings NA Revenue Impact Included in #2 Outlays --		Oil Savings 95 Revenue Impact -\$329 Outlays --	
7. Nonconventional Gas			
Provided the special high cost pricing provision discussed above in the natural gas bill.	Same as Administration	<u>Finance Committee</u> - \$.50 per mcf credit.	Oppose the Senate position.
Oil Savings Included in #1 Revenue Impact -- Outlays --		Oil Savings 35 Revenue Impact -\$649 Outlays --	
8. Peat	No action	<u>Finance Committee</u> - Increases depletion allowance from 5% to 10%.	Oppose the Senate position.
No program		Oil Savings -- Revenue Impact -- Outlays --	
9. Change in Contiguous County Rule for Industrial Development Bonds	No action	Exempted from Federal taxation interest on IDB's for coal gasifica- tion and coal liquefaction.	Under review.
No program		Oil Savings NA Revenue Impact -\$295 Outlays --	

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
PRODUCTION AND CONVERSION			
10. Business Energy Tax Credits			
<p>Additional 10% investment tax credit for:</p> <ul style="list-style-type: none"> - insulation of existing facilities, - alternative energy property: boilers and other combustors using coal or other fuels, solar, low Btu coal gas, etc. - specially defined energy property (conservation equipment), but only if retrofit onto existing facilities. - advanced technology property (solar, wind, and geothermal). - cogeneration equipment. 	<p>Similar to the Administration but excludes heat pumps from eligible property.</p> <p>Also eliminates the regular investment tax credit for any new oil or gas fired facilities, unless such facilities are exempted from the regulatory program discussed below.</p>	<p>Similar, but list of eligible property is expanded to include recycling equipment and industrial heat pumps.</p> <p>Also passed a refundable 15% alternative energy property credit. This credit expands the alternative property definition to include feedstocks from coal, hydro power, nonprofit organizations, and ocean and tidal power.</p>	Support the House position.
<p>Oil Savings 200*</p> <p>Revenue Impact -\$3,064</p> <p>Outlays —</p>	<p>Oil Savings 210*</p> <p>Revenue Impact -\$3,293</p> <p>Outlays —</p>	<p>Oil Savings 560*</p> <p>Revenue Impact -\$13,329</p> <p>Outlays —</p>	
<p>Additional alternative energy items</p> <p>No proposal</p>	No action	<p>Items added on Senate floor include electric air furnaces, coke ovens, dams, efficient light fixtures and motors, and R&D for electric cars.</p> <p>Oil Savings NA</p> <p>Revenue Impact -\$ 1,731</p> <p>Outlays --</p>	

* Does not include savings from industrial alternative energy property investments (included in #11).

Administration Proposal	House Action	Senate Action	Proposed Administration Position or Conference Action
PRODUCTION AND CONVERSION			
11. Oil and Gas Users Tax			
<p>- Tax on 1000 largest (85,000 bbl/yr or more) industrial and utility users. Oil is taxed at a flat rate, increasing to \$3 per bbl in 1985 for industrial users. Natural gas taxed at an amount set to make its cost equal to the pre-user tax cost of distillate oil by 1985. Utilities are taxed at 1/2 the industrial rate for oil and the phase-in for both the oil and gas utility taxes is slower.</p>	<p>The coverage is expanded by using a 50,000 bbl/yr exemption, which includes approximately the 1400 largest firms. A lower tax rate is imposed for oil and gas use by nonboilers, and for utilities. Exemptions are provided for environmental, economic, and technical reasons.</p>	<p>Tax all new MFBI's and utilities greater than 10 MW, all existing coal capable MFBI's and utilities above 10 MW. Oil tax rate is \$6/bbl (to compensate for no COET in Senate). Gas is taxed to <u>after</u>-user tax price of distillate. Additional exemptions to ensure consistency with regulatory program.</p>	Support the House position.
<p>- Credit against user taxes. Any investment in alternative energy property (defined in the Business Energy Tax Credit section above) is eligible for a 100% credit against current year user taxes. Carry forward of any remaining credit. Firms must elect between this credit and the additional 10% business energy investment tax credit.</p>	<p>Similar to Administration proposal, except that if a company elects to receive the user tax credit, it is ineligible for the regular 10% investment tax credit.</p>	<p>Credit same as Administration.</p>	
<p>Utilities are eligible for the credit only to replace existing oil or gas fired facilities.</p>		<p>Election is between the rebate and the additional 15% ITC.</p>	
<p>Oil Savings 2,465* Revenue Impact +\$34,400 Outlays —</p>	<p>Oil Savings 760* Revenue Impact +\$4,698 Outlays —</p>	<p>Oil Savings 445** Revenue Impact +\$774 Outlays —</p>	
* Includes effect of additional 10% ITC for coal conversion investments.			
** Includes effect of additional 15% ITC for coal industrial conversion investments, but not utility.			

<u>Administration Proposal</u>	<u>House Action</u>	<u>Senate Action</u>	<u>Proposed Administration Position or Conference Action</u>
PRODUCTION AND CONVERSION			
12. Coal Conversion Regulatory Program			
<ul style="list-style-type: none"> - Statutory prohibition against new utility or major industrial boiler use of oil or gas. - Discretionary authority to prohibit use of oil and gas in nonboilers by regulation or individual order. - Discretionary authority to order existing facilities other than oil and gas if facility is capable of using such other fuels, by regulation or individual order to convert to fuels. - Exemptions allowed if coal cannot be used for environmental, economic or technical reasons. - Covers facilities of 10 megawatts or greater. - All utilities are prohibited from using natural gas after 1989. - Cogeneration equipment. 	<p>Accepted Administration program except the coverage of existing individual facilities extends only to 30 megawatt or larger facilities; smaller units may be included in the prohibitions if certain findings are made.</p> <p>No nonboiler authority.</p>	<p>Similar to Administration program except:</p> <ul style="list-style-type: none"> - new industrial facilities below 30 megawatts are not subject to prohibition against oil use. - new indirect fired nonboilers are prohibited by statute from using oil and gas. <p>Provides for loans and loan guarantees which could total \$10 million for pollution control equipment; coal conversion compensation; energy development impact assistance; assistance to financially needy railroads; compliance reports.</p>	<p>Support the House position generally:</p> <ul style="list-style-type: none"> - Prefer Senate nonboiler authority, but with discretionary authority to prohibit oil and gas use by regulation or order rather than automatic statutory prohibition. - Oppose Senate programs for loans, loan guarantees, coal conversion compensation, compliance reports.
Oil Savings (340-400)*	Oil Savings (340-400)*	Oil Savings (170-220)*	
Revenue Impact --	Revenue Impact --	Revenue Impact --	
Outlays --	Outlays --	Outlays \$2914	
		Loan Guarantees \$10,000	
<p>* Oil savings from the regulatory program are included in estimates of savings from the user tax (item # above). The savings in parentheses are the estimated effects of the regulatory program alone, and are not additive to savings from the tax.</p>			

SUMMARY OF HOUSE/SENATE CONFERENCE COMMITTEE
CONSIDERATION OF H.R. 5037, ENERGY CONSERVATION MEASURES

As of Friday morning, October 28, House/Senate Energy Conferees had agreed to the following key items during the past week:

Major issues agreed upon concerning schools, health care facilities and public buildings weatherization included:

- * House provisions which specify that FEA will allocate funds among the States taking into consideration such factors as population, climate, availability of cost of fuel, emergency conditions and special hardship cases. No state may receive more than 10% of the funds, not less than 0.5%, and neither schools nor health care facilities shall receive less than 30% of the funds available.

Regarding appliance efficiency standards, the following items were approved en bloc:

- * That standards be set by FEA for all 13 identified covered products, and a standard will not be prescribed if a label provides sufficient information to induce wider use of an efficient product and that FEA must publish a list of products they anticipate will be covered by standards within two years of enactment.
- * Phase in mandatory appliance efficiency standards over a five year period.
- * Combined House and Senate language authorizing \$3.3 million in FY 1978 and \$10 million in FY 1979.
- * Accepted House language making it clear that the specific procedures of EPCA will apply to the appliance program.

As regards Civil Penalty Assessments:

- * FEA Administrator issues a notice of proposed penalty.
- * Alleged violator elects one of the following courses of action within 30 days:
 - a) Pays the proposed penalty.
 - b) Follows the House procedure--
 - i Hearing with an administrative law judge who makes an initial decision;
 - ii Assessment of penalty by the Administrator on the hearing record;
 - iii Review of the assessment by a court based on the record formulated by the administrative law judge
 - c) Administrator issues a penalty order on the basis of the evidence before him without a hearing and files a petition in District Court seeking a judgment assessing the civil penalty. The FEA shall consult with the Attorney General only concerning the civil suit. The court will consider the violation and the amount of the assessment as a de novo proceeding, applying all normal federal rules of procedure and evidence.

The Conferees tentatively accepted the above version as a package in conjunction with "citizens suits" which amends the EPCA to allow citizens to sue the manufacturer for violations, and the Administrator for failure to enforce the standards authorized by this legislation.

Regarding Automobile Fuel Standards:

- * Conferees adopted by the Senate provisions extending fuel economy labeling requirements to automobiles of gross passenger vehicle weight of 6,000 to 8,500 lbs. This includes vans, pickup trucks and utility vehicles.

Regarding Funding of State Energy Conservation Plans

- * Conferees accepted the Senate version, but amended it by extending the EPCA authorization for Federal assistance to states in support of state energy conservation program at \$50 million for FY 1979 only, and also increased the authorization for supplemental State energy conservation programs for FY 1979 only to \$50 million.

Regarding Utility Programs for Insulation, the Conferees agreed:

- * Disseminating information could be considered as an expense, or rate based (utility decision).
- * Audits must be included in expenses, not rate based.
- * Administrative costs and other services to be included in expenses, or at the discretion of the PUC, could be rate based.

Residential--Solar Loan Program, Financing:

- * A separate GNMA purchase program for solar energy be set up with the following characteristics: Loans must be insured under Title I; all loans purchased with recourse to lender; interest rate would be limited to Treasury borrowing rate at lowest end and capped at Title I rate; all families to be eligible borrowers; term of repayment not to exceed 15 years; no penalty for prepayment; principal obligation of the loan not to exceed \$8,000 if borrower waives right to a tax credit; if borrower does not waive his right to a tax credit, then principal obligation not to exceed total cost of the system less 30% of the first \$15,000 and 20% of next \$8,500; authorize GNMA to purchase up to \$100 million of outstanding loans at any one time; program to last only five years; effective date is date of enactment.

Regarding Industrial Energy Conservation:

- * The House receded to a Senate compromise whereby: FEA to conduct within 18 months a detailed evaluation of pumps and motors to determine standard classifications with respect to size, function, type of energy consumed, method of manufacture, and including significant factors to determine energy efficiency. FEA must consult with affected industry manufacturers and users. FEA report to Congress with 18 months the result of the study. If evaluation shows labeling and test procedures are appropriate for pumps and motors, FEA would be authorized to prescribe such tests and require labeling using procedures similar to those applied to the appliance program. Authorize appropriations of \$2 million for FY 1978 and \$3 million for FY 1979.
- * Industrial Reporting--A compromise was adopted by the Conferees whereby coverage would be expanded to all corporations consuming over one trillion btu's per year in a major energy consuming industry; reporting would be on an annual basis; different SIC classifications may be used where appropriate but it is not required to use the 3 to 4 digit reporting; provides for plant reporting to the corporation on FEA established forms, and that these plant forms shall be available to FEA under this law but shall be held confidential

and not be made available to the public under this or any other law. There will be no demonstration program, and contracts must be competitive.

Regarding an Off-Highway Motor Vehicle Study:

- * The Senate receded to the House with an amendment. The measure mandates a one year study by DOT on the energy conservation potential of recreational motor vehicles, boats and airplanes.

Regarding Executive Agency Conservation Plan

- * Adopted House provisions authorizing an appropriation to the President of \$25 million in FY 1978, and \$50 million in FY 1979.

Regarding Demonstration of Solar Heating and Cooling in Federal Buildings:

- * Adopted Senate provision whereby FEA is to require life cycle cost analysis for buildings and statement of excess costs due to installation of solar equipment when it is not the minimum cost alternative.

Regarding Energy Conservation and Solar Energy in Federal Buildings:

- * Program to be administered by FEA in consultation with GSA and other agencies, to promote use of life cycle cost methods in buildings without special features for conservation, solar and other renewable energy resources. Performance targets to be compatible with HUD standards. By January 1, 1990, all Federal buildings must be fitted to assure maximum possible life cycle cost-effectiveness. \$2 million authorized.

Regarding Photovoltaic Energy Devices in Federal Facilities:

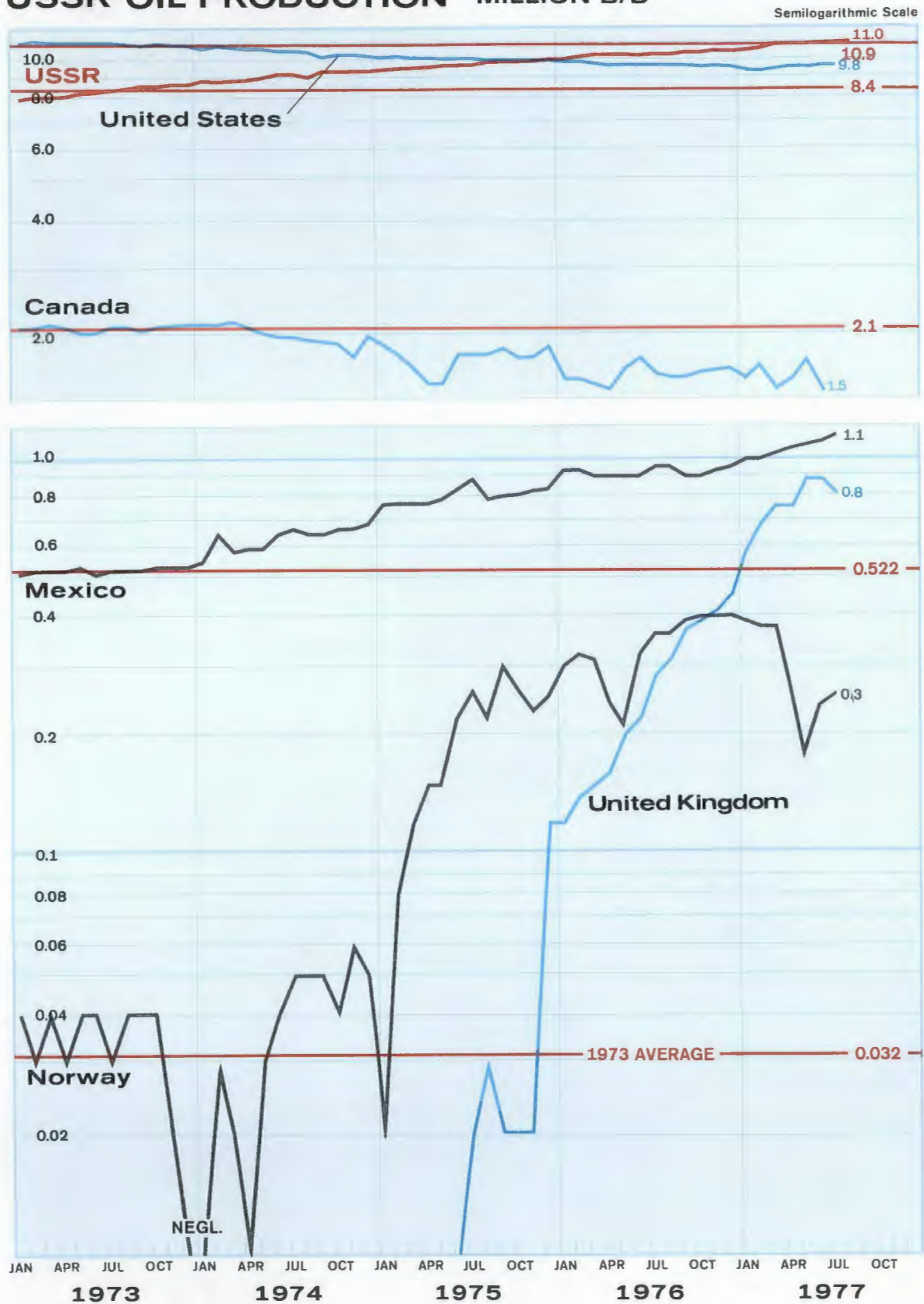
- * House and Senate versions identical except for funding. All Federal agencies to be included in the program. DOE will be responsible for procuring the most advanced technology, and stimulating production of low-cost systems. Difference in funding to be worked out in staff.
- * The House receded to the Senate and agreed on an authorization of \$98 million for technical developments and purchase of photovoltaic cells.

Regarding Conservation of Coal Resources:

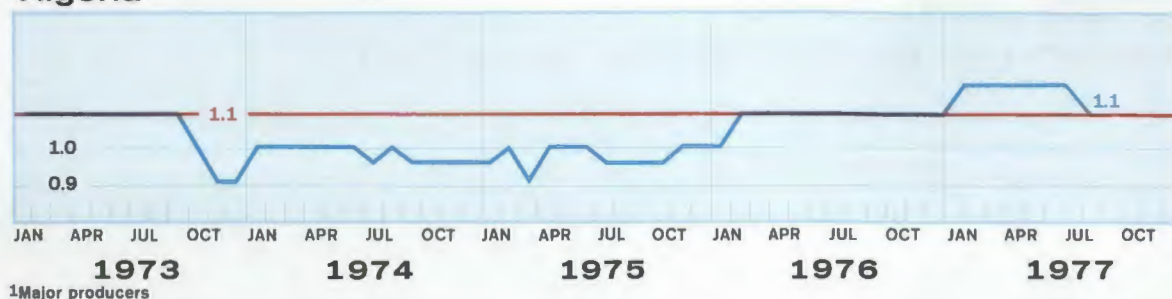
- * Any action, order, or rule under this section shall not be taken or issued unless it is consistent with the Clean Air Act Amendments of 1977, and unless the President finds:
 - a) that such action will not significantly increase the cost of energy;
 - b) the consumer in such areas and State shall not be subjected to significantly higher fuel costs;
 - c) no contractual relationship will be violated between coal users, coal suppliers, or coal transporters, by such action;
 - d) nothing herein shall affect the authority of the President or the Secretary of the Department of Energy with respect to the allocation of coal under any other provision of the law.

Federal Van Pooling Program was dropped from the legislation.

FREE WORLD AND USSR OIL PRODUCTION MILLION B/D



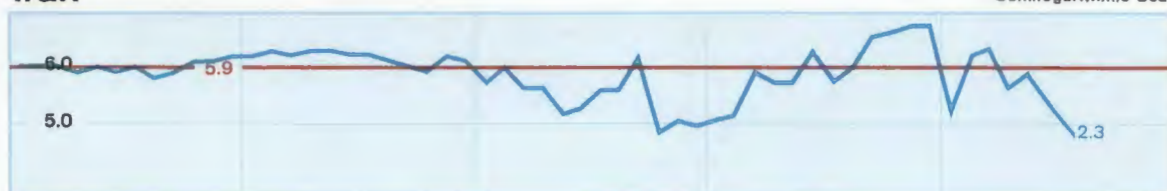
Algeria



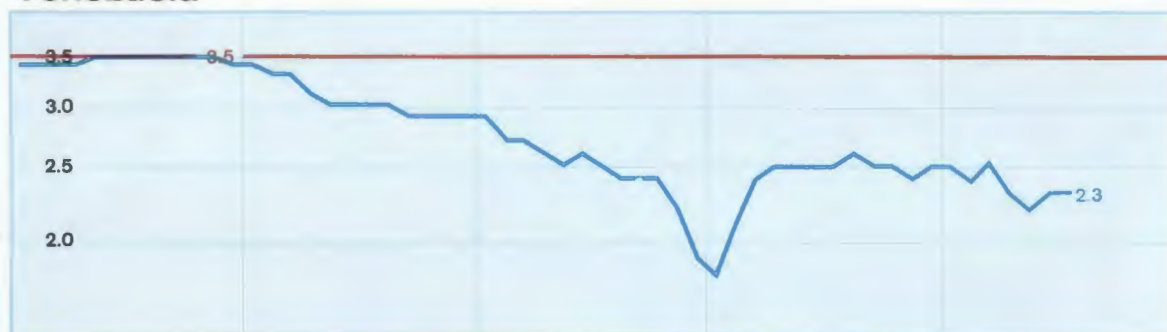
NON-ARAB OPEC OIL PRODUCTION¹ MILLION B/D

Iran

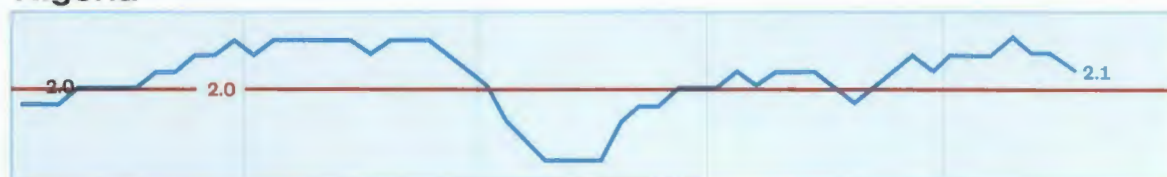
Semilogarithmic Scale



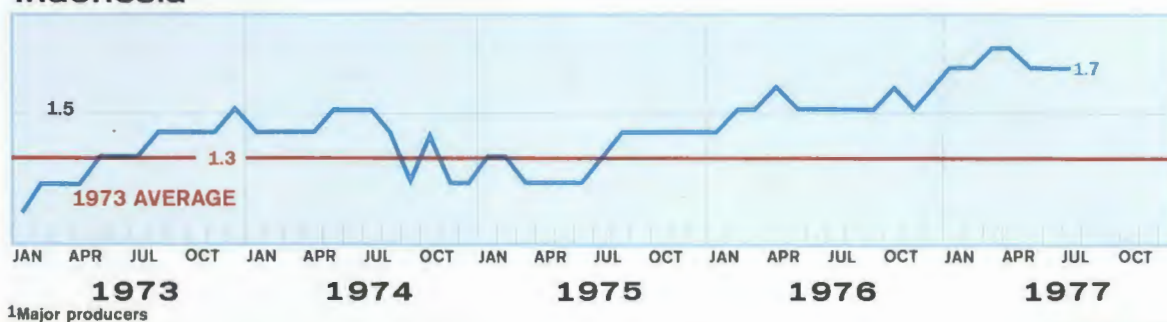
Venezuela



Nigeria



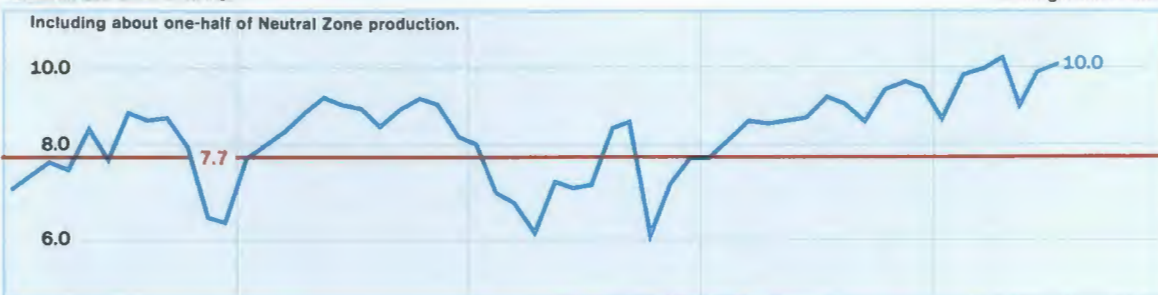
Indonesia



OAPEC OIL PRODUCTION¹ MILLION B/D

Saudi Arabia

Semilogarithmic Scale



Kuwait



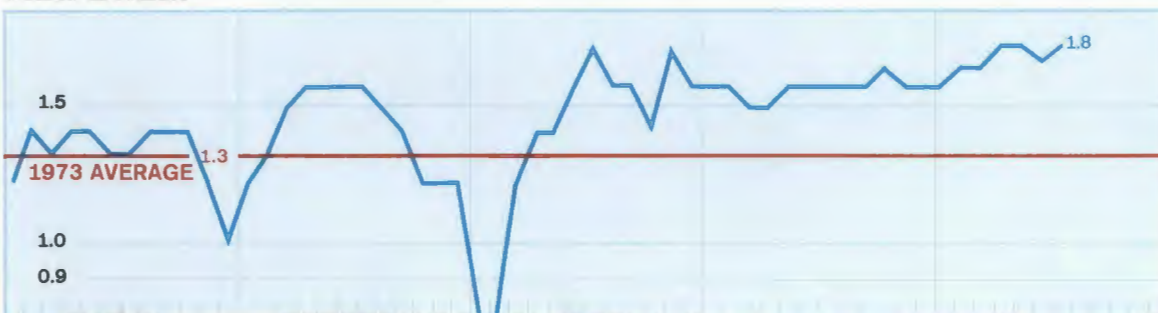
Libya



Iraq



Abu Dhabi



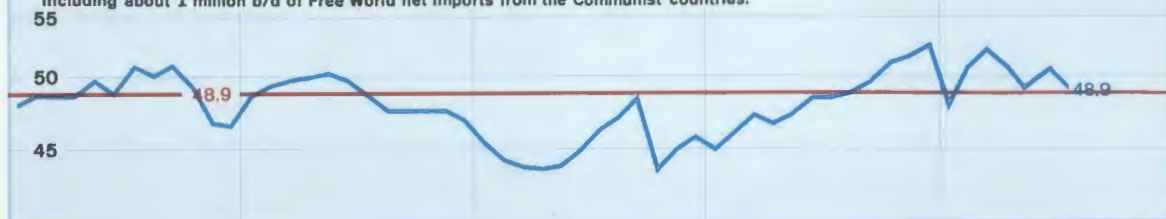
JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977

FREE WORLD OIL PRODUCTION¹ MILLION B/D

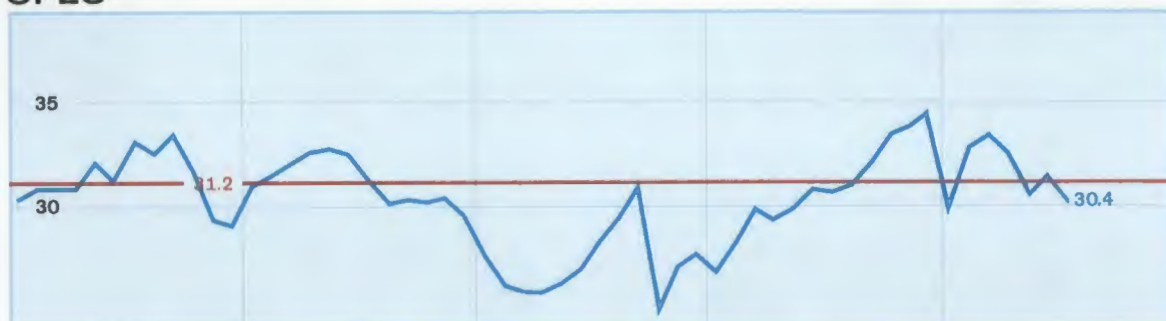
Semilogarithmic Scale

TOTAL

Including about 1 million b/d of Free World net imports from the Communist countries.



OPEC



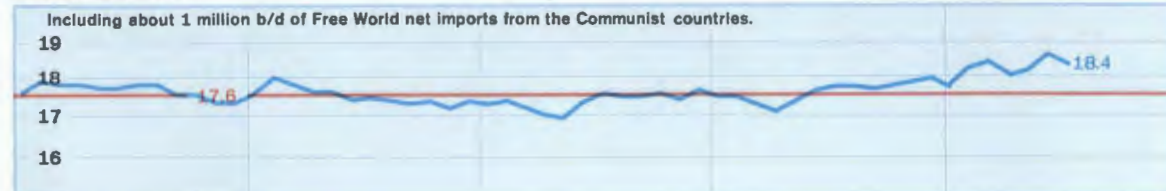
OAPEC

Including Bahrain, Egypt, and Syria which are not members of OPEC.

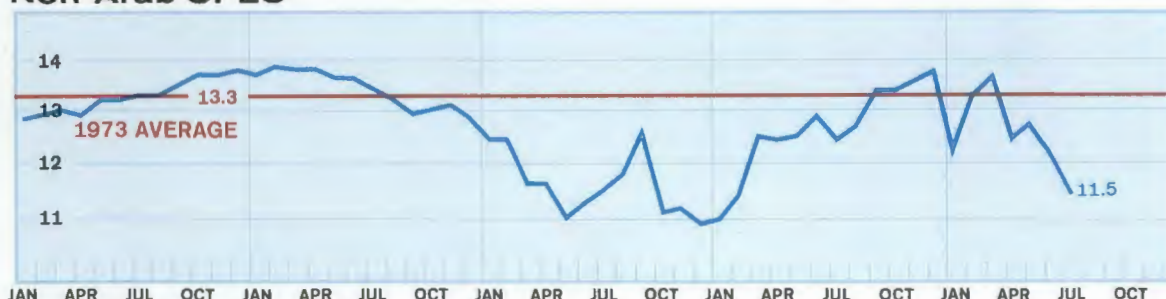


Non-OPEC

Including about 1 million b/d of Free World net imports from the Communist countries.



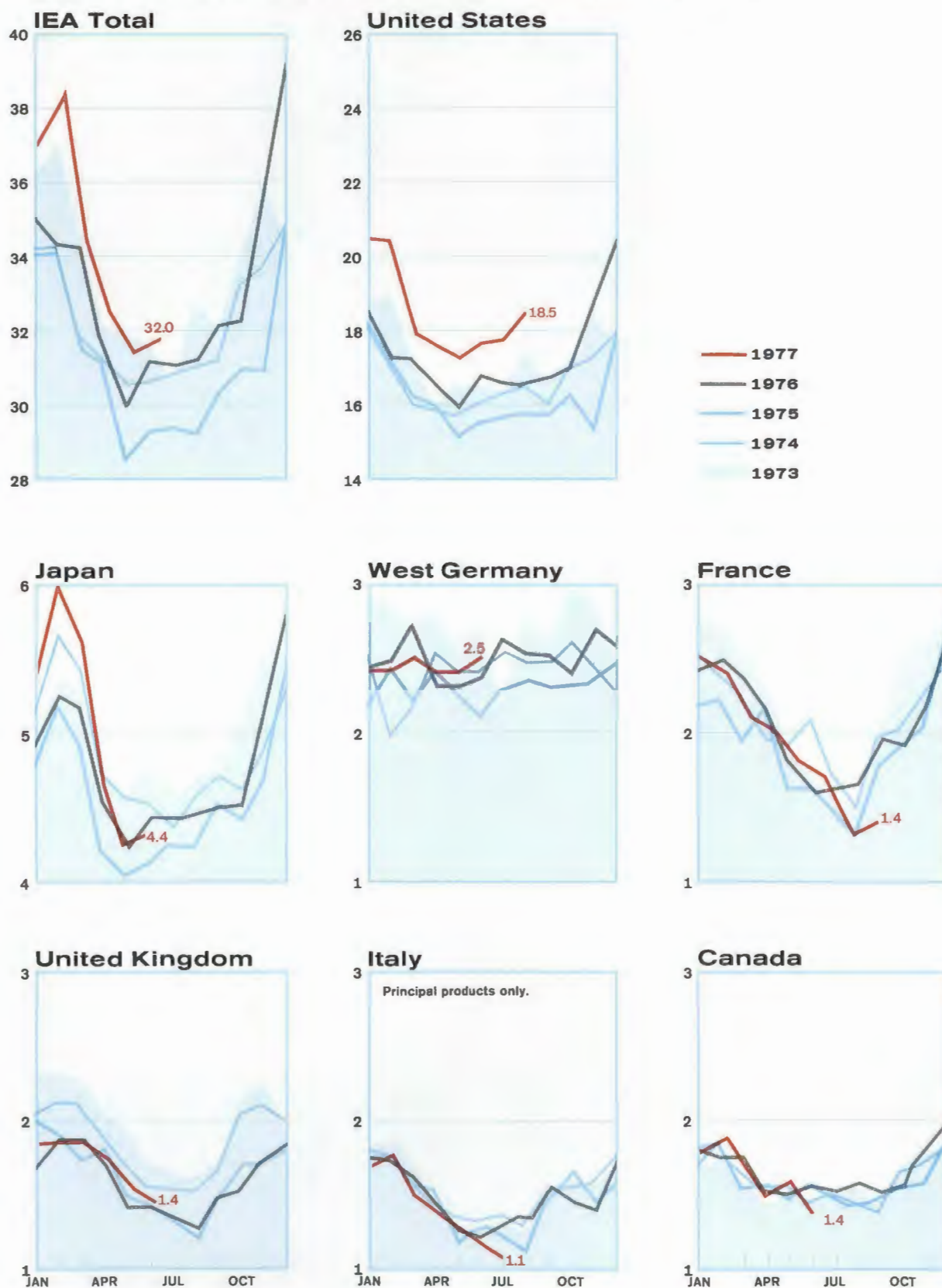
Non-Arab OPEC



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977

¹Including natural gas liquids

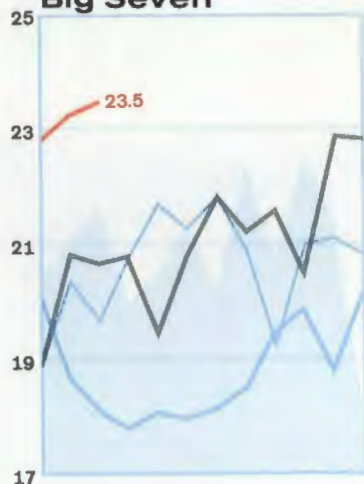
INLAND OIL CONSUMPTION¹ MILLION B/D



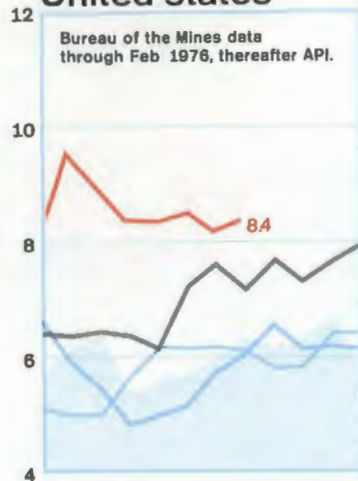
¹Except for the United States, excluding bunkers, refinery fuel, and losses.

NET OIL IMPORTS MILLION B/D

Big Seven

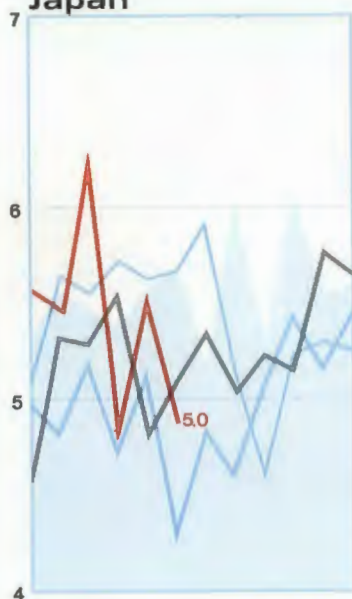


United States

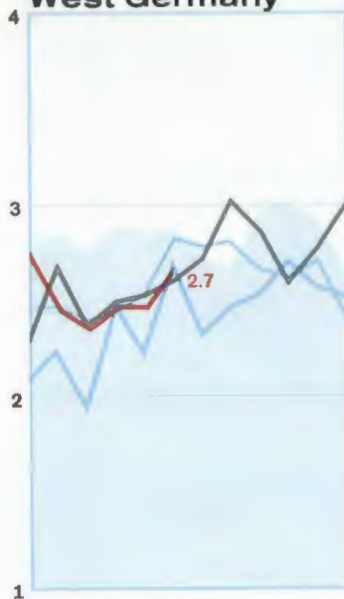


— 1977
— 1976
— 1975
— 1974
— 1973

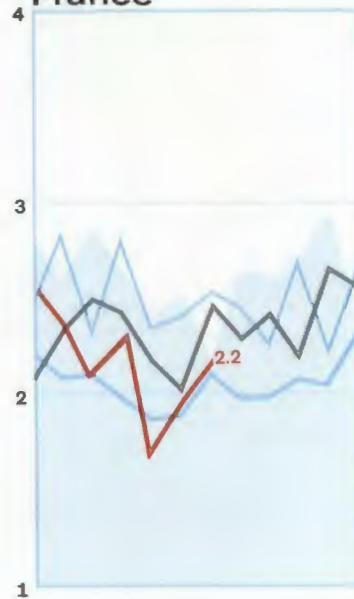
Japan



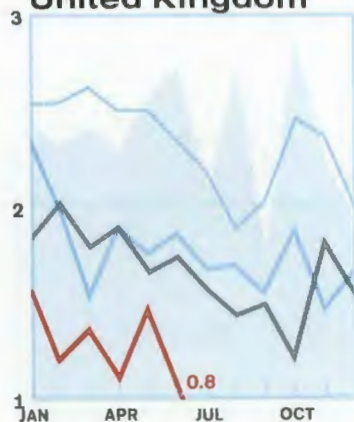
West Germany



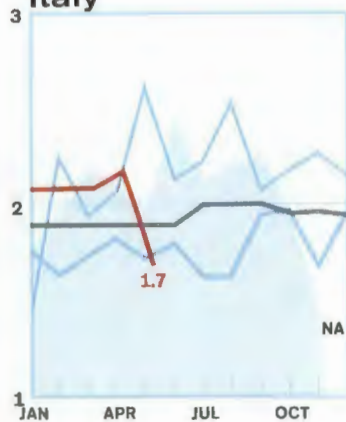
France



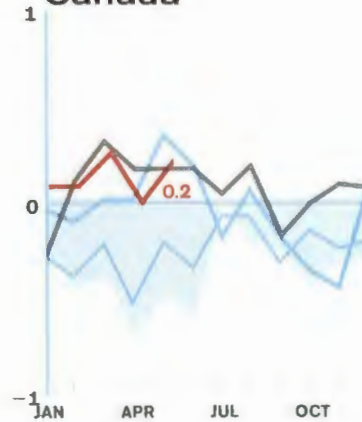
United Kingdom



Italy



Canada



U.S. OIL IMPORTS

	TOTAL IMPORTS (millions of barrels per day)	TOTAL CRUDE PRODUCT (millions of barrels per day)	TOTAL 1/ PRODUCT (percent of demand)	IMPORTS (percent of demand)	OPEC 2/ IMPORTS (percent of total)	ARAB OPEC IMPORTS 2/ (percent of total)
1960	1.8	1.0	0.8	19.8%	71.9%	16.0%
1961	1.9	1.0	0.9	19.5%	67.0%	14.8%
1962	2.1	1.1	1.0	20.3%	60.7%	11.5%
1963	2.1	1.1	1.0	20.2%	60.4%	12.0%
1964	2.3	1.2	1.1	20.9%	60.2%	13.0%
1965	2.5	1.2	1.2	21.8%	59.2%	12.5%
1966	2.6	1.2	1.3	21.7%	58.0%	11.8%
1967	2.5	1.1	1.4	20.2%	49.5%	6.9%
1968	2.8	1.3	1.6	21.2%	45.8%	9.5%
1969	3.2	1.4	1.8	22.4%	42.2%	8.7%
1970	3.4	1.3	2.1	23.3%	37.8%	5.7%
1971	3.9	1.7	2.2	25.8%	43.2%	8.9%
1972	4.7	2.2	2.5	29.0%	43.6%	11.2%
1973	6.3	3.2	3.0	36.1%	47.6%	14.6%
1974	6.1	3.5	2.6	36.8%	53.3%	12.2%
1975	6.0	4.1	1.9	36.8%	59.5%	22.9%
1976	7.3	5.3	2.0	42.0%	67.2% <u>3/</u>	32.1% <u>3/</u>

- 77 8.5
- 1/ Includes unfinished oil, natural gas liquids, and plant condensate.
 2/ Excludes indirect imports; includes imports from sources that were included in OPEC and Arab OPEC memberships as of December 31, 1977.
 3/ Numbers will not add up to 100 due to rounding.

Sources: Bureau of Mines

8.5 522

THE WHITE HOUSE
WASHINGTON

November 1, 1977

Greg Schneiders
Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Stu Eizenstat

RE: CRISIS MANAGEMENT

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
/		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
/	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

11/1/77

Mr. President:

Brzezinski and Eizenstat
concur. Hamilton has no
comment.

Stu and Greg suggest that
the mechanism be used only
in those situations where it
is likely that established
disaster relief mechanisms
could not do the job.

Rick

Electrostatic Copy Made
for Preservation Purposes

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

*ok - provided
process is expedited
J.C.*

October 27, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Greg Schneiders *GS*
Jack Watson *Jack*
SUBJECT: CRISIS MANAGEMENT

Subject to your approval, when a crisis or emergency situation arises which might potentially require Presidential or White House staff attention, we would propose to take the following immediate steps:

- (1) Consult with appropriate federal agencies and, where necessary, concerned state and local officials, to ascertain the pertinent facts of the situation, including an assessment of the domestic and national security implications, threat to life or property, and a preliminary prognosis.
- (2) Having made the preliminary assessment outlined in step one, we should prepare a brief summary of that assessment and formulate recommendations as to the appropriate actions to be taken, including designation of a lead federal agency. The summary would also recommend, where appropriate, specific actions for you to take, including designation of one of us, or some other member of the White House staff, to represent you on the site of the disaster. There may be occasions when you will want Rosalynn to be your special emissary to the scene.
- (3) As soon as the summary is drafted, and before it is given to you, we would circulate it to OMB, NSC, Hamilton, Stu, Jody and, as appropriate, to other senior members of the White House staff.
- (4) The summary, incorporating everyone's comments on it, would be given to you. We would then monitor the crisis in accordance with your instructions, utilizing the lead agency concept to the fullest extent possible. In accordance with your previous handwritten note on this subject, Jack will chair the overall crisis management effort for the White House staff.

THE WHITE HOUSE

WASHINGTON

Date: October 28, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *attached*
Hamilton Jordan *nc*
Jody Powell
Jim McIntyre
Zbig Brzezinski *concur by plan*

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Schneiders/Watson memo dated 10/27 re Crisis Management

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 10:00 AM

DAY: Monday

DATE: October 31, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*get HJ on Hamilton
& concur -*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	<input type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	<input type="checkbox"/>	POWELL
<input type="checkbox"/>	<input type="checkbox"/>	WATSON
<input checked="" type="checkbox"/>	<input type="checkbox"/>	LANCE <i>TM</i>
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input checked="" type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

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<input type="checkbox"/>	PETTIGREW
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<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

Date: October 28, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Hamilton Jordan
Jody Powell
Jim McIntyre
Zbig Brzezinski

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

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TO THE STAFF SECRETARY BY:

TIME: 10:00 AM

DAY: Monday

DATE: October 31, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☐ I concur.

Please note other comments below:

☒ No comment.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.


If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

October 27, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Greg Schneiders
Jack Watson 
SUBJECT: CRISIS MANAGEMENT

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THE WHITE HOUSE

WASHINGTON

October 31, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
LYNN DAFT *LD*

SUBJECT: Schneiders/Watson Memo on Crisis
Management

We concur in the crisis management process spelled-out in the memo.

There is one point of ambiguity, however. It is not clear what constitutes a crisis or emergency situation of sufficient import to trigger the process. In response to our inquiry, Greg indicated that he intended for it to be used only in those situations where it appeared likely that the established disaster relief mechanisms could not do the job. We think that makes sense.